

## INFORMATION REPORT

CD NO.

25X1A

02-0404  
FEB  
373

COUNTRY Ecuador

DATE DISTR. 31 JAN 50

SUBJECT Ecuadoran Political Situation

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NO. OF PAGES 3

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NO. OF ENCLS.  
(LISTED BELOW)DATE OF  
INFO.SUPPLEMENT TO  
REPORT NO.

25X1X

1. Aurelio Carrera Calvo, Chief of the Fire Department of Guayaquil, stated that the purpose of his trip to Panama was to obtain a deferment of the delivery date of coffee he had sold to the Banco Agropecuario de Panama since he had received assurance from the Ecuadoran Minister of Finance that the sucre would be devaluated in the very near future. Carrera said that Ecuador is suffering from the worst case of mismanagement imaginable, and it is a certainty that the government will fall. He added that the government is trying to make it appear that the loan granted by the United States for reconstruction of the earthquake areas in Ecuador is a vote of confidence in the present administration and a hint that the United States is willing to support the administration. Carrera stated that it is generally commented that if the loan should bolster the government and that if it were true that the loan signifies U.S. endorsement of the administration, the wave of administrative corruption which has affected all levels of government officials would continue.
2. Carrera stated that the devastated areas are the source of endless complaints and that the failure of the government to do any reconstruction work of any importance is a major cause of discontent.
3. As an example of the lack of funds on the part of the national government, Carrera cited the fact that payments due the Fire Department of Guayaquil have been pending since the month of August 1949. He said he had suggested that the government borrow from the million dollars donated by Venezuela for earthquake relief in order to pay the overdue bills.
4. The second visitor, Luis Humberto Silva Solis, a member of the Aprista Party who was exiled from Peru to Ecuador about one year ago, was recently deported from Ecuador at the request of the Peruvian government. Upon his arrival in Panama, Silva Solis stated that he had been affiliated with the newspaper and magazine of Carlos Guevara Moreno in Guayaquil whom he identified as the present leader of the Partido del Pueblo of Ecuador.
5. According to Silva Solis, the fall of the Ecuadoran government is inevitable. He outlined the causes for the present unrest as follows:

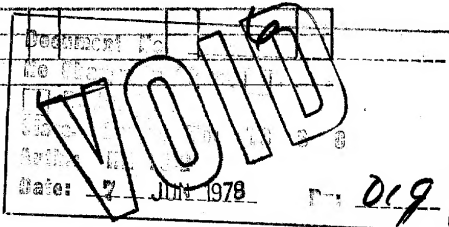
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Next Review Date: 2038

Approved For Release 2001/11/26 : CIA-RDP82-00457R004200320006-8

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CENTRAL INTELLIGENCE AGENCY

CONFIDENTIAL

-2-

- a. The Army is not satisfied with the general status of the nation. Army officers feel that the government is unable to cope with the economic situation, especially with that which has ensued as a result of the August earthquakes around Ambato. Furthermore, the administration is unable to pay Army personnel their salaries on time and it looks as if payments may have to be suspended or delayed for several days for lack of funds.
- b. The economic situation is very bad, especially as a result of the failure of rice growers and millers in Ecuador to sell their rice in export markets. Rice, which in general is not grown and harvested with machinery, has to be sold at a price exceeding \$8.00 in Ecuador, while rice from other countries can be purchased for \$6.00 or less. The loss which the deterioration of unsold rice stocks will represent will amount to over 50,000,000 sucres. The government has not been able to make up its mind about what measures to take, and its efforts to find export markets for the rice have been in vain. Also, because it was hopeful of finding outlets for the rice, the government has not taken steps to lower the price of that grain, and it appears that the whole harvest will be lost.
- c. The long established custom of not giving persons from the coastal provinces jobs in the national government has been continued by the present administration, with the result that it has lost the support of the coastal provinces. The employment of highland personnel in the administration, with the complete exclusion of men from Guayaquil has also contributed to making the administration's job more difficult since the policy has tended to accentuate the chronic alienation between the coast and the mountain provinces.
- d. Graft and theft on the part of public officials is said to be widespread and the people have no confidence in the ability or willingness of President Plaza to remedy the situation. Silva stated that the people now refuse to pay quotas or to deposit with the Caja de Seguro Social because it has been found that funds of that organization are diverted for payment of payrolls and of campaign funds. It is reported that President Plaza and his friends used approximately 4,000,000 sucres of Seguro Social funds in the last presidential campaign.
- e. The people of Guayaquil feel that the government defrauded them in the recent elections for Mayor of that city. The triumph of government backed candidate Guerrero by a small margin over opposition candidate Mendoza was accomplished by fraud and by the wholesale purchase of votes on the part of Guerrero backers such as Victor Emilio Estrada, a Guayaquil banker. These elections and the fact that the government candidate really lost them have served to strengthen the opposition and to show the lack of popularity of the administration.
- f. It is generally rumored that the government, in desperation, has begun to use the funds collected for the relief of the earthquake victims to pay government salaries.
- g. Nothing has been done to reconstruct the Ambato region devastated by the August earthquakes and the government is blamed, with the allegation that corruption among public officials has prevented the undertaking of any reconstruction work.

SECRET

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25X1A

## CENTRAL INTELLIGENCE AGENCY

-3-

6. Silva stated that the rice situation and its effect on the national economy made mandatory the devaluation of the sucre, but that although the devaluation was a popular idea, the government was refusing to adopt it.
7. Silva further stated that although the government was trying to make the recent loan granted by the United States for reconstruction appear as a proof of U.S. backing of the administration, popular sentiment was that the loan would be lost so far as practical results are concerned, owing to the corruption and lack of good intentions on the part of public officials.

25X1A

~~Comment.~~ Celso Solano, Secretary General of the Partido del Pueblo, recently described Carlos Guevaro Moreno as "a soldier of fortune" and "an adventurer" who had been expelled from the Communist Party as a traitor.

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